GOVERNMENT OF INDIA
POWER
LOK SABHA

STARRED QUESTION NO:303
ANSWERED ON:11.12.2000
PROVISION OF SUBSIDY TO POWER SECTOR
HARIBHAU MAHALE;SUKENDER REDDY GUTHA

Will the Minister of POWER be pleased to state:

(a) whether the Government have taken any steps to reduce the subsidy on power supplied to agricultural as well as domestic sector;

(b) if so, the details thereof;

(c) whether the Government have issued any guidelines to the State Governments for reduction of subsidy and revision of power tariff as a part of second phase of reforms in power sector; and

(d) if so, the reaction of the State Governments thereto?

Answer

THE MINISTER OF POWER (SHRI SURESH P. PRABHU)

(a) to (d) : A Statement is laid on the Table of the House.

STATEMENT

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (d) OF STARRED QUESTION NO. 303 TO BE ANSWERED IN TH LOK SABHA ON 11.12.2000 REGARDING PROVISION OF SUBSIDY TO POWER SECTOR.

(a) to (d) : The National Development Council (NDC)`s Committee on Power consisting of the Chief Minister of Maharashtra as Chairman and the then Chief Ministers of Uttar Pradesh, Punjab, Karnataka, West Bengal, Assam, Union Ministers of Finance and Power, as Members, in its report in September, 1994 recommended, inter alia, that the State Government should adopt minimum All India agricultural tariff and also should agree to provide subsidy to the SEBs in a transparent manner to compensate for the losses and that subsidies to the agricultural consumers should be progressively phased out and if necessary subsidies on foodgrains should be reviewed.

The Common Minimum National Action Plan for Power (CMNPP) adopted in the Chief Ministers Conference held in 1996 envisaged, inter alia, that no sector shall pay less than 50% of the average cost of supply (cost of generation plus transmission and distribution) and that tariffs for agricultural sector will not be less than 50 paise per Kwh and that it should be brought to 50% of the average cost in not more than three years.

The Government of India enacted the Electricity Regulatory Commission Act, 1998 with a view to rationalization of electricity tariff and to bring about transparency in relation to tariff and subsidies. The Act inter alia provides that the State Electricity Regulatory Commission (SERC) while determining tariff shall ensure that the tariff progressively reflects the cost of supply of electricity. If the State Government requires the grant of any subsidy to any consumer or class of consumers, it has to compensate the person affected in the manner the State Commission may direct, or any other person concerned to implement the subsidy provided for by the State Government.

In the states which have constituted SERCs, the responsibility of tariff fixation has been transferred to the independent Regulatory Commissions. 14 States have since constituted/notified constitution of SERCs. The SERCs of Orissa, Andhra Pradesh, Maharashtra, Uttar Pradesh and Gujarat have issued tariff orders.

It is for the State Governments to determine the extent of subsidy that it would like to give to an identified category of consumers.